

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF RECLAMATION
Central Valley Project, California

CONTRACT BETWEEN THE UNITED STATES AND
MEYER CREST LIMITED,
DIVERTER OF WATER FROM SACRAMENTO RIVER SOURCES,
SETTLING WATER RIGHTS DISPUTES AND
PROVIDING FOR PROJECT WATER

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3 UNITED STATES
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6 Central Valley Project, California

7 CONTRACT BETWEEN THE UNITED STATES AND
8 MEYER CREST, LIMITED
9 DIVERTER OF WATER FROM SACRAMENTO RIVER SOURCES
10 SETTLING WATER RIGHTS DISPUTES AND
11 PROVIDING FOR PROJECT WATER

12 THIS CONTRACT, hereinafter referred to as "Settlement Contract," is entered into
13 by THE UNITED STATES OF AMERICA, hereinafter referred to as the United States, made
14 this 18th day of March, 2005, pursuant to the applicable authority granted to
15 it generally in the Act of June 17, 1902 (32 Stat. 388), and acts amendatory or supplementary
16 thereto, including, but not limited to, the Acts of August 26, 1937 (50 Stat. 844), as amended and
17 supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented, including but not
18 limited to Sections 9 and 14 thereto, July 2, 1956 (70 Stat. 483), June 21, 1963 (77 Stat. 68),
19 October 12, 1982 (96 Stat. 1263), October 27, 1986 (100 Stat. 3050), as amended, and Title
20 XXXIV of the Act of October 30, 1992 (106 Stat. 4706), all collectively hereinafter referred to
21 as Federal Reclamation law, and MEYER CREST, LIMITED, hereinafter referred to as the
22 Contractor, acting pursuant to Sections 12003 and 12004 of the California Water Code, with its
23 principal place of business in California;

24 WITNESSETH, that:

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EXPLANATORY RECITALS

[1st] WHEREAS, the United States has constructed and is operating the Central Valley Project, California, for multiple purposes pursuant to its statutory authority; and

[2nd] WHEREAS, the Contractor has rights to divert, is diverting, and will continue to divert for reasonable beneficial use, water from the natural flow of the Sacramento River and tributaries thereto, that would have been flowing therein if the Central Valley Project were not in existence; and

[3rd] WHEREAS, the construction and operation of the integrated and coordinated Central Valley Project has changed and will further change the regimen of the Sacramento, American, San Joaquin, and Trinity Rivers and the Sacramento-San Joaquin Delta from unregulated flow to regulated flow; and

[4th] WHEREAS, the United States has rights to divert, is diverting, and will continue to divert waters from said Rivers and said Delta in connection with the operation of said Central Valley Project, and

[5th] WHEREAS, the Contractor and the United States had a dispute over the respective rights of the parties to divert and use water from the regulated flow of the Sacramento River which threatened to result in litigation, and as a means to settle that dispute entered into Contract No. 14-06-200-8106A, hereinafter referred to as the Existing Contract, which established terms for the delivery to the Contractor of Central Valley Project Water, and the quantities of Base Supply the United States and the Contractor agreed may be diverted by the Contractor from the Sacramento River pursuant to such contract; and

[6th] WHEREAS, the United States and the Contractor disagree with respect to the authority of the United States to change the quantities of Base Supply and/or Project Water

48 specified as available for diversion in this Settlement Contract from the quantities specified in
49 the Existing Contract, and other issues related thereto. That dispute was the subject of litigation
50 in a lawsuit entitled *Glenn-Colusa Irrigation District, et al. v. United States, et al.* [Civ. No.
51 S-01-1816 GEB/JFM (E.D. Cal.)], but that litigation was dismissed, without prejudice, pursuant
52 to a stipulation of dismissal filed by the parties thereto on August 29, 2002. Notwithstanding
53 that dismissal, the Contractor and the United States enter into this Settlement Contract to renew
54 the Existing Contract, pursuant to the terms of the Existing Contract, Federal Reclamation law,
55 and the laws of the State of California.

56 [7th] WHEREAS, to assure the Contractor of the enjoyment and use of the regulated
57 flow of the said Rivers and the Delta, and to provide for the economical operation of the Central
58 Valley Project by, and the reimbursement to, the United States for expenditures made for said
59 Project;

60 NOW, THEREFORE, in consideration of the performance of the herein contained
61 provisions, conditions, and covenants, it is agreed as follows:

62 DEFINITIONS

63 1. When used herein, unless otherwise expressed or incompatible with the intent
64 hereof, the term:

65 (a) "Base Supply" shall mean the quantity of Surface Water established in
66 Articles 3 and 5 which may be diverted by the Contractor from the Sacramento River each month
67 during the period April through October of each Year without payment to the United States for
68 such quantities diverted;

69 (b) "Basin-Wide Water Management Plan" shall mean the mutually agreeable
70 Sacramento River Basinwide Water Management Plan, dated October 11, 2004, developed by

71 Glenn-Colusa Irrigation District, Maxwell Irrigation District, Natomas Central Mutual Water
72 Company, Pelger Mutual Water Company, Princeton-Codora Glenn Irrigation District, Provident
73 Irrigation District, Reclamation District 108, Sutter Mutual Water Company, Anderson-
74 Cottonwood Irrigation District, Meridian Farms Water Company, Reclamation District 1004, and
75 the U.S. Bureau of Reclamation;

76 (c) "Charges" shall mean the payments for Project Water that the Contractor
77 is required to pay to the United States in addition to the "Rates" specified in this Settlement
78 Contract. The Contracting Officer will, on an annual basis, determine the extent of these
79 Charges. The type and amount of each Charge shall be specified in Exhibit D;

80 (d) "Contract Total" shall mean the sum of the Base Supply and Project Water
81 available for diversion by the Contractor for the period April 1 through October 31;

82 (e) "Critical Year" shall mean any Year in which either of the following
83 eventualities exists:

84 (1) The forecasted full natural inflow to Shasta Lake for the current
85 Water Year, as such forecast is made by the United States on or before February 15 and reviewed
86 as frequently thereafter as conditions and information warrant, is equal to or less than 3.2 million
87 acre-feet; or

88 (2) The total accumulated actual deficiencies below 4 million acre-feet
89 in the immediately prior Water Year or series of successive prior Water Years each of which had
90 inflows of less than 4 million acre-feet, together with the forecasted deficiency for the current
91 Water Year, exceed 800,000 acre-feet.

92 For the purpose of determining a Critical Year, the computation of inflow to
93 Shasta Lake shall be performed in a manner that considers the extent of upstream development

94 above Shasta Lake during the year in question, and shall be used as the full natural flow to
95 Shasta Lake. In the event that major construction has occurred or occurs above Shasta Lake after
96 September 1, 1963, and which has materially altered or alters the regimen of the stream systems
97 contributing to Shasta Lake, the computed inflow to Shasta Lake used to define a Critical Year
98 will be adjusted to eliminate the effect of such material alterations. After consultation with the
99 State of California, the National Weather Service, and other recognized forecasting agencies, the
100 Contracting Officer will select the forecast to be used and will make the details of it available to
101 the Contractor. The same forecasts used by the United States for the operation of the Project
102 shall be used to make the forecasts hereunder;

103 (f) "CVPIA" shall mean the Central Valley Project Improvement Act,
104 Title XXXIV of the Act of October 30, 1992 (106 Stat. 4706);

105 (g) Omitted;

106 (h) Omitted;

107 (i) Omitted;

108 (j) Omitted;

109 (k) Omitted;

110 (l) "Project" shall mean the Central Valley Project owned by the United
111 States and managed by the Department of the Interior, Bureau of Reclamation;

112 (m) "Project Water" shall mean all Surface Water diverted or scheduled to be
113 diverted each month during the period April through October of each Year by the Contractor
114 from the Sacramento River which is in excess of the Base Supply. The United States recognizes
115 the right of the Contractor to make arrangements for acquisition of water from projects of others
116 than the United States for delivery through the Sacramento River and tributaries subject to

117 written agreement between Contractor and the United States as to identification of such water,
118 which water, when so identified, shall not be deemed Project Water under this Settlement
119 Contract;

120 (n) "Rates" shall mean the payments for Project Water determined annually
121 by the Contracting Officer in accordance with the then current applicable water ratesetting
122 policies for the Project, as described in subdivision (a) of Article 8 of this Settlement Contract;

123 (o) "Secretary" or "Contracting Officer" shall mean the Secretary of the
124 Interior, a duly appointed successor, or an authorized representative acting pursuant to any
125 authority of the Secretary and through any agency of the Department of the Interior;

126 (p) "Surface Water" shall mean only those waters that are considered as
127 surface water under California law;

128 (q) "Water Year" shall mean the period commencing with October 1 of one
129 year and extending through September 30 of the next;

130 (r) "Year" shall mean a calendar year;

131 (s) "Water-use Season" shall mean the period commencing with
132 June 15 and extending through September 30 of the same Year; and

133 (t) "Ponds" shall mean the impoundments of water which were formerly log
134 storage ponds and now used for storage of emergency water for fire protection.

135 TERM OF SETTLEMENT CONTRACT

136 2. (a) This Settlement Contract shall become effective April 1, 2005, and shall
137 remain in effect until and including March 31, 2045: Provided, that under terms and conditions
138 mutually agreeable to the parties hereto, renewals may be made for successive periods not to

139 exceed 40 years each. The terms and conditions of each renewal shall be agreed upon not later
140 than one year prior to the expiration of the then existing Settlement Contract.

141 (b) With respect to Project Water and the portions of this Settlement Contract
142 pertaining thereto, upon written request by the Contractor of the Secretary made not later than
143 one year prior to the expiration of this Settlement Contract, whenever, account being taken of the
144 amount then credited to the costs of construction of water supply works, the remaining amount of
145 construction costs of water supply work which is properly assignable for ultimate return by the
146 Contractor probably can be repaid to the United States within the term of a contract under
147 subsection 9(c)(1) of the 1939 Reclamation Project Act (53 Stat. 1187), the relevant portions of
148 this Settlement Contract may be converted to a contract under said subsection 9(c)(1) upon terms
149 and conditions mutually agreeable to the United States and the Contractor. The Secretary shall
150 make a determination ten years after the date of execution of this Settlement Contract, and every
151 five years thereafter, of whether a conversion to a contract under said subsection 9(c)(1) can be
152 accomplished.

153 WATER TO BE FURNISHED TO CONTRACTOR

154 3. (a) Subject to the conditions, limitations, and provisions hereinafter
155 expressed, the Contractor is hereby entitled and authorized to divert from the Sacramento River
156 at the locations shown in Exhibit A, for beneficial use within the area delineated on Exhibit B,
157 (both Exhibits are attached hereto and made a part hereof), the Contract Total designated in
158 Exhibit A, or any revision thereof.

159 (b) Omitted.

160 (c) Omitted.

161 (d) Nothing herein contained shall prevent the Contractor from diverting
162 water during the months of November through March for beneficial use on the land shown on
163 Exhibit B or elsewhere to the extent authorized under the laws of the State of California.

164 (e) The United States assumes no responsibility for and neither it nor its'
165 officers, agents, or employees shall have any liability for or on account of:

166 (1) The quality of water to be diverted by the Contractor;

167 (2) The control, carriage, handling, use, disposal, or distribution of
168 water diverted by the Contractor outside the facilities constructed and then being operated and
169 maintained by or on behalf of the United States;

170 (3) Claims of damage of any nature whatsoever, including but not
171 limited to, property loss or damage, personal injury, or death arising out of or connected with the
172 control, carriage, handling, use, disposal, or distribution of said water outside of the hereinabove
173 referred to facilities; and

174 (4) Any damage whether direct or indirect arising out of or in any
175 manner caused by a shortage of water whether such shortage be on account of errors in
176 operation, drought, or unavoidable causes.

177 (f) In addition to the provisions of subdivision (e) of Article 3 of this
178 Contract, if there is a shortage of Project Water because of actions taken by the Contracting
179 Officer to meet legal obligations then, except as provided in subdivision (a) of Article 30 of this
180 Contract, no liability shall accrue against the United States or any of its officers, agents, or
181 employees for any damage, direct or indirect, arising therefrom.

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RETURN FLOW

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CONSTRAINTS ON THE AVAILABILITY OF WATER

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4. Nothing herein shall be construed as an abandonment or a relinquishment by the United States of any right it may have to the use of waste, seepage, and return flow water derived from water diverted by the Contractor hereunder and which escapes or is discharged beyond the boundaries of the lands shown on Exhibit B; Provided, that this shall not be construed as claiming for the United States any right to such water which is recovered by the Contractor pursuant to California law from within the boundaries of the lands shown on Exhibit B, and which is being used pursuant to this Settlement Contract for municipal and industrial use or underground storage for the benefit of the lands shown on Exhibit B by the Contractor.

5. (a) In a Critical Year, the Contracting Officer reserves the right to reduce the Contract Total shown on Exhibit A to the Contractor: Provided, that the Contractor may divert from the Sacramento River not in excess of 75 percent of the Contract Total shown on Exhibit A, subject to the installation of measurement equipment satisfactory to the Contracting Officer. The Contractor shall install, operate, and maintain this equipment at the Contractor's expense. The Contractor shall submit, by April 1 of that Critical Year, a written schedule to the Contracting Officer indicating the Contract Total to be diverted by the Contractor during each month of that Critical Year under this Settlement Contract.

(b) The amount of any overpayment by the Contractor shall, at its option, be refunded or credited upon amounts to become due to the United States from the Contractor under the provisions hereof in the ensuing Year. To the extent of such deficiency such adjustment of overpayment shall constitute the sole remedy of the Contractor.

204 INTEGRATED WATER MANAGEMENT AND PARTNERSHIPS

205 6. The Contractor and United States desire to work together to maximize the
206 reasonable beneficial use of water for their mutual benefit. As a consequence, the United States
207 and the Contractor will work in partnership and with others within the Sacramento Valley,
208 including other contractors, to facilitate the better integration within the Sacramento Valley of all
209 water supplies including, but not limited to, the better management and integration of surface
210 water and groundwater, the development and better utilization of surface water storage, the
211 effective utilization of waste, seepage and return flow water, and other operational and
212 management options that may be identified in the future.

213 USE OF WATER FURNISHED TO CONTRACTOR

214 7. (a) Project Water furnished by the United States under this Settlement
215 Contract shall be used by the Contractor only for sprinkling logs and offsetting evaporation
216 losses from the Ponds, unless the Contractor finds it necessary in an emergency situation to
217 empty or lower the Ponds. In this event the water diverted to refill the Ponds shall be considered
218 Project water: Provided, that any such diversion for the refilling of the Ponds during the Water-
219 use Season shall be subject to prior approval by the Contracting Officer and shall be considered
220 in excess of the agreed quantity.

221 (b) The Contractor shall comply with requirements applicable to the
222 Contractor in biological opinion(s) prepared as a result of a consultation regarding the execution
223 of this Settlement Contract undertaken pursuant to Section 7 of the Endangered Species Act of
224 1973, as amended that are within the Contractor's legal authority to implement. The Existing
225 Contract, which evidences in excess of 40 years of diversions, for municipal and industrial uses,
226 of the quantities of water provided for in Article 3, and the underlying water rights of the

227 Contractor will be considered in developing an appropriate base-line for the Biological
228 Assessment prepared pursuant to the Endangered Species Act, and in any other needed
229 environmental review. Nothing herein shall be construed to prevent the Contractor from
230 challenging or seeking judicial relief in a court of competent jurisdiction with respect to any
231 biological opinion or other environmental documentation referred to in this Article.

232 RATE AND METHOD OF PAYMENT FOR WATER

233 8. (a) The Contractor shall make payments to the United States as provided in
234 this Article for each acre-foot of Project Water shown on its Exhibit A.

235 Such payments shall be at Rates and Charges established in accordance with: (i)
236 the Secretary's then current ratesetting policies for the Project; and (ii) applicable Reclamation
237 law and associated rules and regulations, or policies. The Rates and Charges applicable to the
238 Contractor upon execution of this Settlement Contract are set forth in Exhibit D, as may be
239 revised annually. The Secretary's ratesetting policies for the Project shall be amended, modified,
240 or superseded only through a public notice and comment procedure.

241 (b) The Contracting Officer shall notify the Contractor of the Rates and
242 Charges as follows:

243 (1) Prior to July 1 of each Year, the Contracting Officer shall
244 provide the Contractor an estimate of the Charges for Project Water that will be applied to the
245 period October 1, of the current Year, through September 30, of the following Year, and the
246 basis for such estimate. The Contractor shall be allowed not less than two months to review and
247 comment on such estimates. On or before September 15 of each Year, the Contracting Officer
248 shall notify the Contractor in writing of the Charges to be in effect during the period October 1 of

249 the current Year, through September 30, of the following Year, and such notification shall revise
250 Exhibit D.

251 (2) Prior to October 1 of each Year, the Contracting Officer shall make
252 available to the Contractor an estimate of the Rates for Project Water for the following Year and
253 the computations and cost allocations upon which those Rates are based. The Contractor shall be
254 allowed not less than two months to review and comment on such computations and cost
255 allocations. By December 31 of each Year, the Contracting Officer shall provide the Contractor
256 with the final Rates to be in effect for the upcoming Year, and such notification shall revise
257 Exhibit D.

258 (c) The Contractor shall pay the United States for Project Water in the
259 following manner:

260 (1) With respect to Rates and Charges, on or before May 1 of each
261 Year, the Contractor shall pay the United States the total amount payable pursuant to
262 subdivision (a) of this Article or such later date or dates as may be specified by the United States
263 in a written notice to the Contractor.

264 (d) Payments to be made by the Contractor to the United States under this
265 Settlement Contract may be paid from any revenues available to the Contractor. All revenues
266 received by the United States from the Contractor relating to the delivery of Project Water or the
267 delivery of non-Project water through Project facilities shall be allocated and applied in
268 accordance with Federal Reclamation law and the associated rules or regulations, and the
269 then-current Project ratesetting policy for municipal and industrial water.

270 (e) The Contracting Officer shall keep its accounts pertaining to the
271 administration of the financial terms and conditions of its long-term water service and Settlement

272 Contracts, in accordance with applicable Federal standards, so as to reflect the application of
273 Project costs and revenues. The Contracting Officer shall, each Year upon request of the
274 Contractor, provide to the Contractor a detailed accounting of all Project and Contractor expense
275 allocations, the disposition of all Project and Contractor revenues, and a summary of all water
276 delivery information. The Contracting Officer and the Contractor shall enter into good faith
277 negotiations to resolve any discrepancies or disputes relating to accountings, reports, or
278 information.

279 (f) The parties acknowledge and agree that the efficient administration of this
280 Settlement Contract is their mutual goal. Recognizing that experience has demonstrated that
281 mechanisms, policies, and procedures used for establishing Rates and Charges and/or for making
282 and allocating payments, other than those set forth in this Article may be in the mutual best
283 interest of the parties, it is expressly agreed that the parties may enter into agreements to modify
284 the mechanisms, policies, and procedures for any of those purposes while this Settlement
285 Contract is in effect without amendment of this Settlement Contract.

286 (g) For the term of this Settlement Contract, Rates under the respective
287 ratesetting policies for the Project will be established to recover only reimbursable operation and
288 maintenance (including any deficits) and capital costs of the Project, as those terms are used in
289 the then-current Project ratesetting policies, and interest, where appropriate, except in instances
290 where a minimum Rate is applicable in accordance with the relevant Project ratesetting policy.
291 Proposed changes of significance in practices which implement the ratesetting policies for the
292 Project will not be implemented until the Contracting Officer has provided the Contractor an
293 opportunity to discuss the nature, need, and impact of the proposed change. The Contractor
294 retains all rights to challenge the validity of Rates and Charges imposed pursuant to this

295 Settlement Contract, including but not limited to operation and maintenance expenses and
296 operation and maintenance deficits, in an appropriate administrative or judicial proceeding.

297 (h) Except as provided in subsection 3405(a)(1)(B) of the CVPIA, the Rates
298 for Project Water transferred, exchanged, or otherwise disposed of, by the Contractor shall be the
299 Contractor's Rates adjusted upward or downward to reflect the changed costs of delivery (if any)
300 of the transferred, exchanged, or otherwise disposed of Project Water to the transferee's point of
301 delivery in accordance with the then-current ratesetting policies for the Project. Except as
302 provided in subsection 3407(d)(2)(A) of the CVPIA, the Charges for Project Water transferred,
303 exchanged, or otherwise disposed of, by the Contractor shall be the Contractor's Charges
304 specified in Exhibit D. If the Contractor is receiving lower Rates and Charges because of
305 inability to pay and is transferring, exchanging, or otherwise disposing of Project Water to
306 another entity whose Rates and Charges are not adjusted due to inability to pay, the Rates and
307 Charges for transferred, exchanged, or otherwise disposed of Project Water shall be the
308 Contractor's Rates and Charges unadjusted for ability to pay.

309 (i) Omitted.

310 (j) Each payment to be made pursuant to subdivisions (a) and (c) of this
311 Article shall be made at the office of the Bureau of Reclamation, MP Region: Mid-Pacific,
312 P.O. Box 894242, Los Angeles, CA 90189-4242, or at such other place as the United States may
313 designate in a written notice to the said Contractor. Payments shall be made by cash transaction,
314 wire, or any other mechanism as may be agreed to in writing by the Contractor and the
315 Contracting Officer. In event there should be a default in the payment of the amount due, the
316 delinquent payment provisions of Article 13 shall apply. The Contractor shall not be relieved of

317 the whole or any part of its said obligation by, on account of, or notwithstanding, as the case may
318 be its failure, refusal, or neglect to divert the quantity of Project Water shown on Exhibit A.

319 AGREEMENT ON WATER QUANTITIES

320 9. (a) During the term of this Settlement Contract and any renewals thereof:

321 (1) It shall constitute full agreement as between the United States and
322 the Contractor as to the quantities of water and the allocation thereof between Base Supply and
323 Project Water which may be diverted by the Contractor from the Sacramento River for beneficial
324 use on the land shown on Exhibit B from April 1 through October 31, which said diversion, use,
325 and allocation shall not be disturbed so long as the Contractor shall fulfill all of its obligations
326 hereunder;

327 (2) Neither party shall claim any right against the other in conflict with
328 the provisions of Article 9(a)(1) hereof.

329 (b) Nothing herein contained is intended to or does limit rights of the
330 Contractor against others than the United States or of the United States against any person other
331 than the Contractor: Provided, however, that in the event the Contractor, the United States, or
332 any other person shall become a party to a general adjudication of rights to the use of water of
333 the Sacramento River system, this Settlement Contract shall not jeopardize the rights or position
334 of either party hereto or of any other person and the rights of all such persons in respect to the
335 use of such water shall be determined in such proceedings the same as if this Settlement Contract
336 had not been entered into, and if final judgment in any such general adjudication shall determine
337 that the rights of the parties hereto are different from the rights as assumed herein, the parties
338 shall negotiate an amendment to give effect to such judgment. In the event the parties are unable
339 to agree on an appropriate amendment they shall, within 60 days of determining that there is an

340 impasse, employ the services of a neutral mediator, experienced in resolving water rights
341 disputes, to assist in resolving the impasse. The cost of the mediation will be shared equally. A
342 failure to reach agreement on an amendment within 60 days of the end of mediation will cause
343 the immediate termination of this Settlement Contract.

344 (c) In the event that the California State Water Resources Control Board or a
345 court of competent jurisdiction issues a final decision or order modifying the terms and
346 conditions of the water rights of either party to this Settlement Contract in order to impose Bay-
347 Delta water quality obligations, the Contractor and the United States shall promptly meet to
348 determine whether or not to modify any of the terms of this Settlement Contract to comply with
349 the final decision or order. If within 60 days of the date of the issuance of the final decision or
350 order the parties are not able to reach agreement regarding either the need to modify this
351 Settlement Contract or the manner in which this Settlement Contract is to be modified, the
352 parties shall promptly retain a neutral mediator, experienced in resolving water right disputes, to
353 assist the parties in resolving their dispute. The cost of the mediator shall be shared equally. In
354 the event that either of the parties to this Settlement Contract determines that the parties will not
355 be able to develop mutually-agreeable modification(s) to this Settlement Contract even with the
356 assistance of a mediator, either of the parties to this Settlement Contract may attempt to resolve
357 the impasse by seeking appropriate judicial relief including, but not limited to, filing a general
358 adjudication of the rights to the use of water in the Sacramento River system. The foregoing
359 provisions of this sub-article shall only apply to the incremental obligations contained within a
360 final decision or order of the State Water Resources Control Board that reflects a modification to
361 the obligations imposed in State Water Resources Control Board Revised Water Rights Decision

362 1641 dated March 15, 2000, and its associated 1995 Water Quality Control Plan which, taken
363 together, will be considered the baseline for the application of the provisions of this sub-article.

364 (d) In the event this Settlement Contract terminates, the rights of the parties to
365 thereafter divert and use water shall exist as if this Settlement Contract had not been entered into;
366 and the fact that as a compromise settlement of a controversy as to the respective rights of the
367 parties to divert and use water and the yield of such rights during the term hereof, this Settlement
368 Contract places a limit on the Contract Total to be diverted annually by the Contractor during the
369 Settlement Contract term and segregates it into Base Supply and Project Water shall not
370 jeopardize the rights or position of either party with respect to its water rights or the yield thereof
371 at all times after the Settlement Contract terminates. It is further agreed that the Contractor at all
372 times will first use water to the use of which it is entitled by virtue of its own water rights, and
373 neither the provisions of this Settlement Contract, action taken thereunder, nor payments made
374 thereunder to the United States by the Contractor shall be construed as an admission that any part
375 of the water used by the Contractor during the term of this Settlement Contract was in fact water
376 to which it would not have been entitled under water rights owned by it nor shall receipt of
377 payments thereunder by the United States from the Contractor be construed as an admission that
378 any part of the water used by the Contractor during the term of this Settlement Contract was in
379 fact water to which it would have been entitled under water rights owned by it.

380 MEASUREMENT OF WATER

381 10. (a) All water diverted by the Contractor from the Sacramento River will be
382 diverted at the existing point or points of diversion shown on Exhibit A or at such other points as
383 may be mutually agreed upon in writing by the Contracting Officer and the Contractor.

384 (b) The right of ingress to and egress from all points of diversion is hereby
385 granted to all authorized employees of the United States. The Contractor also hereby grants to
386 the United States the right to install, operate, maintain, and replace measuring equipment on
387 diversion or carriage facilities at each point of diversion as the Contracting Officer deems
388 necessary.

389 (c) The Contractor shall not modify, alter, remove, or replace diversion
390 facilities or do any other act which would alter the effectiveness or accuracy of the measuring
391 equipment installed by the United States or its representatives unless and until the Contracting
392 Officer has been notified with due diligence and has been given an opportunity to modify such
393 measuring equipment in such manner as may be necessary or appropriate. In the event of an
394 emergency the Contractor shall notify the United States within a reasonable time thereafter as to
395 the existence of the emergency and the nature and extent of such modification, alteration,
396 removal, or replacement of diversion facilities.

397 (d) The Contractor shall pay the United States for the costs to repair, relocate,
398 or replace measurement equipment when the Contractor modifies, alters, removes, or replaces
399 diversion or carriage facilities.

400 RULES AND REGULATIONS

401 11. The parties agree that the delivery of Project Water for municipal and industrial
402 use or use of Federal facilities pursuant to this Settlement Contract is subject to Federal
403 Reclamation law and the rules and regulations promulgated by the Secretary of the Interior under
404 Federal Reclamation law.

405 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

406 12. (a) The obligation of the Contractor to pay the United States as provided in
407 this Settlement Contract is a general obligation of the Contractor notwithstanding the manner in

408 which the obligation may be distributed among the Contractor's water users and notwithstanding
409 the default of individual water users in their obligations to the Contractor.

410 (b) The payment of Charges becoming due hereunder is a condition precedent
411 to receiving benefits under this Settlement Contract. The United States shall not make water
412 available to the Contractor through Project facilities during any period in which the Contractor
413 may be in arrears in the advance payment of water Rates due the United States. The Contractor
414 shall not furnish water made available pursuant to this Settlement Contract for lands or parties
415 which are in arrears in the advance payment of water rates levied or established by the
416 Contractor.

417 (c) With respect to subdivision (b) of this Article, the Contractor shall have no
418 obligation to require advance payment for water Rates which it levies.

419 CHARGES FOR DELINQUENT PAYMENTS

420 13. (a) The Contractor shall be subject to interest, administrative and penalty
421 charges on delinquent installments or payments. When a payment is not received by the due
422 date, the Contractor shall pay an interest charge for each day the payment is delinquent beyond
423 the due date. When a payment becomes 60 days delinquent, the Contractor shall pay an
424 administrative charge to cover additional costs of billing and processing the delinquent payment.
425 When a payment is delinquent 90 days or more, the Contractor shall pay an additional penalty
426 charge of six percent per year for each day the payment is delinquent beyond the due date.
427 Further, the Contractor shall pay any fees incurred for debt collection services associated with a
428 delinquent payment.

429 (b) The interest charge rate shall be the greater of the rate prescribed quarterly
430 in the Federal Register by the Department of the Treasury for application to overdue payments,
431 or the interest rate of one-half of one percent per month prescribed by Section 6 of the
432 Reclamation Project Act of 1939 (Public Law 76-260). The interest charge rate shall be
433 determined as of the due date and remain fixed for the duration of the delinquent period.

434 (c) When a partial payment on a delinquent account is received, the amount
435 received shall be applied, first to the penalty, second to the administrative charges, third to the
436 accrued interest, and finally to the overdue payment.

437 QUALITY OF WATER

438 14. The operation and maintenance of Project facilities shall be performed in such
439 manner as is practicable to maintain the quality of raw water made available through such
440 facilities at the highest level reasonably attainable as determined by the Contracting Officer. The

441 United States does not warrant the quality of water and is under no obligation to construct or
442 furnish water treatment facilities to maintain or better the quality of water.

443 WATER AND AIR POLLUTION CONTROL

444 15. The Contractor, in carrying out this Settlement Contract, shall comply with all
445 applicable water and air pollution laws and regulations of the United States and the State of
446 California, and shall obtain all required permits or licenses from the appropriate Federal, State,
447 or local authorities.

448 EQUAL OPPORTUNITY

449 16. During the performance of this Settlement Contract, the Contractor agrees as
450 follows:

451 (a) The Contractor will not discriminate against any employee or applicant for
452 employment because of race, color, religion, sex, or national origin. The Contractor will take
453 affirmative action to ensure that applicants are employed, and that employees are treated during
454 employment, without regard to their race, color, religion, sex, or national origin. Such action
455 shall include, but not be limited to, the following: Employment, upgrading, demotion, or
456 transfer; recruitment or recruitment advertising; layoff or termination, rates of payment or other
457 forms of compensation; and selection for training, including apprenticeship. The Contractor
458 agrees to post in conspicuous places, available to employees and applicants for employment,
459 notices to be provided by the Contracting Officer setting forth the provisions of this
460 nondiscrimination clause.

461 (b) The Contractor will, in all solicitations or advertisements for employees
462 placed by or on behalf of the Contractor, state that all qualified applicants will receive
463 consideration for employment without discrimination because of race, color, religion, sex, or
464 national origin.

465 (c) The Contractor will send to each labor union or representative of workers
466 with which it has a collective bargaining agreement or other contract or understanding, a notice,
467 to be provided by the Contracting Officer, advising the said labor union or workers'
468 representative of the Contractor's commitments under Section 202 of Executive Order 11246 of
469 September 24, 1965, and shall post copies of the notice in conspicuous places available to
470 employees and applicants for employment.

471 (d) The Contractor will comply with all provisions of Executive Order
472 No. 11246 of September 24, 1965, as amended, and of the rules, regulations, and relevant orders
473 of the Secretary of Labor.

474 (e) The Contractor will furnish all information and reports required by said
 475 amended Executive Order and by the rules, regulations, and orders of the Secretary of Labor, or
 476 pursuant thereto, and will permit access to its books, records, and accounts by the Contracting
 477 Officer and the Secretary of Labor for purposes of investigation to ascertain compliance with
 478 such rules, regulations, and orders.

479 (f) In the event of the Contractor's noncompliance with the nondiscrimination
 480 clauses of this Settlement Contract or with any of the said rules, regulations, or orders, this
 481 Settlement Contract may be canceled, terminated, or suspended, in whole or in part, and the
 482 Contractor may be declared ineligible for further Government contracts in accordance with
 483 procedures authorized in said amended Executive Order, and such other sanctions may be
 484 imposed and remedies invoked as provided in said Executive Order, or by rule, regulation, or
 485 order of the Secretary of Labor, or as otherwise provided by law.

486 (g) The Contractor will include the provisions of paragraphs (a) through (g) in
 487 every subcontract or purchase order unless exempted by the rules, regulations, or orders of the
 488 Secretary of Labor issued pursuant to Section 204 of said amended Executive Order, so that such
 489 provisions will be binding upon each subcontractor or vendor. The Contractor will take such
 490 action with respect to any subcontract or purchase order as may be directed by the Secretary of
 491 Labor as a means of enforcing such provisions, including sanctions for noncompliance:
 492 Provided, however, that in the event the Contractor becomes involved in, or is threatened with,
 493 litigation with a subcontractor or vendor as a result of such direction, the Contractor may request
 494 the United States to enter into such litigation to protect the interests of the United States.

495 COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

496 17. (a) The Contractor shall comply with Title VI of the Civil Rights Act of 1964
 497 (42 U.S.C. 2000d), Section 504 of the Rehabilitation Act of 1975 (P.L. 93-112, as amended), the
 498 Age Discrimination Act of 1975 (42 U.S.C. 6101, et seq.) and any other applicable civil rights
 499 laws, as well as with their respective implementing regulations and guidelines imposed by the
 500 U.S. Department of the Interior and/or Bureau of Reclamation.

501 (b) These statutes require that no person in the United States shall, on the
 502 grounds of race, color, national origin, handicap, or age, be excluded from participation in, be
 503 denied the benefits of, or be otherwise subjected to discrimination under any program or activity
 504 receiving financial assistance from the Bureau of Reclamation. By executing this Settlement
 505 Contract, the Contractor agrees to immediately take any measures necessary to implement this
 506 obligation, including permitting officials of the United States to inspect premises, programs, and
 507 documents.

508 (c) The Contractor makes this agreement in consideration of and for the
 509 purpose of obtaining any and all Federal grants, loans, contracts, property discounts, or other
 510 Federal financial assistance extended after the date hereof to the Contractor by the Bureau of
 511 Reclamation, including installment payments after such date on account of arrangements for
 512 Federal financial assistance which were approved before such date. The Contractor recognizes
 513 and agrees that such Federal assistance will be extended in reliance on the representations and

514 agreements made in this Article, and that the United States reserves the right to seek judicial
515 enforcement thereof.

516 18. Omitted.

517 BOOKS, RECORDS, AND REPORTS

518 19. The Contractor shall establish and maintain accounts and other books and records
519 pertaining to administration of the terms and conditions of this Settlement Contract, including:
520 the Contractor's financial transactions, water supply data, and Project land and right-of-way
521 agreements; the water users' land-use (crop census), land ownership, land-leasing and water use
522 data; and other matters that the Contracting Officer may require. Reports thereon shall be
523 furnished to the Contracting Officer in such form and on such date or dates as the Contracting
524 Officer may require. Subject to applicable Federal laws and regulations, each party to this
525 Settlement Contract shall have the right during office hours to examine and make copies of each
526 other's books and official records relating to matters covered by this Settlement Contract.

527 CHANGE OF PLACE OF USE

528 20. Unless the written consent of the United States is first obtained no change shall be
529 made in the place of water use shown on Exhibit B.

530 21. Omitted.

531 NOTICES

532 22. Any notice, demand, or request authorized or required by this Settlement Contract
533 shall be deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid,
534 or delivered to the Area Manager, Northern California Area Office, Bureau of Reclamation,
535 16349 Shasta Dam Boulevard, Shasta Lake, California 96019, and on behalf of the United
536 States, when mailed, postage prepaid, or delivered to Herbert F. R. Meyer, Jr., 2051 Hilltop
537 Drive, Redding, California 96002. The designation of the addressee or the address may be
538 changed by notice given in the same manner as provided in this Article for other notices.

539 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

540 23. (a) The provisions of this Settlement Contract shall apply to and bind the
541 successors and assigns of the parties hereto, but no assignment or transfer of this Settlement
542 Contract or any right or interest therein shall be valid until approved in writing by the
543 Contracting Officer.

544 (b) The assignment of any right or interest in this Settlement Contract by
545 either party shall not interfere with the rights or obligations of the other party to this Settlement
546 Contract absent the written concurrence of said other party.

547 (c) The Contracting Officer shall not unreasonably condition or withhold his
548 approval of any proposed assignment.

549 OFFICIALS NOT TO BENEFIT

550 24. No Member of or Delegate to Congress, Resident Commissioner, or official of the
551 Contractor shall benefit from this Settlement Contract other than as a water user or landowner in
552 the same manner as other water users or landowners.

553 CONTINGENT UPON APPROPRIATION OR ALLOTMENT OF FUNDS

554 25. The expenditure or advance of any money or the performance of any obligation of
555 the United States under this Settlement Contract shall be contingent upon appropriation or
556 allotment of funds. Absence of appropriation or allotment of funds shall not relieve the
557 Contractor from any obligations under this Settlement Contract. No liability shall accrue to the
558 United States in case funds are not appropriated or allotted.

559 CONFIRMATION OF SETTLEMENT CONTRACT

560 26. The Contractor, after the execution of this Settlement Contract, shall promptly
561 seek to secure a decree of a court of competent jurisdiction of the State of California, if
562 appropriate, confirming the execution of this Settlement Contract. The Contractor shall furnish
563 the United States a certified copy of the final decree, the validation proceedings, and all pertinent
564 supporting records of the court approving and confirming this Settlement Contract, and
565 decreeing and adjudging it to be lawful, valid, and binding on the Contractor. This Settlement
566 Contract shall not be binding on the United States until such final decree has been secured.

567 27. Omitted.

568 28. Omitted.

569 WATER CONSERVATION

570 29. (a) Prior to the diversion of Project Water, the Contractor shall be
571 implementing an effective water conservation and efficiency program based on the Basin-Wide
572 Water Management Plan and/or Contractor's water conservation plan that has been determined
573 by the Contracting Officer to meet the conservation and efficiency criteria for evaluating water
574 conservation plans established under Federal law. The water conservation and efficiency
575 program shall contain definite water conservation objectives, appropriate economically feasible

576 water conservation measures, and time schedules for meeting those objectives. Continued
577 diversion of Project Water pursuant to this Settlement Contract shall be contingent upon the
578 Contractor's continued implementation of such water conservation program. In the event the
579 Contractor's water conservation plan or any revised water conservation plan completed pursuant
580 to subdivision (d) of Article 29 of this Settlement Contract have not yet been determined by the
581 Contracting Officer to meet such criteria, due to circumstances which the Contracting Officer
582 determines are beyond the control of the Contractor, Project Water deliveries shall be made
583 under this Settlement Contract so long as the Contractor diligently works with the Contracting
584 Officer to obtain such determination at the earliest practicable date, and thereafter the Contractor
585 immediately begins implementing its water conservation and efficiency program in accordance
586 with the time schedules therein.

587 (b) The Contractor shall submit to the Contracting Officer a report on the
588 status of its implementation of the water conservation plan on the reporting dates specified in the
589 then existing conservation and efficiency criteria established under Federal law.

590 (c) At five-year intervals, the Contractor shall revise its water conservation
591 plan to reflect the then current conservation and efficiency criteria for evaluating water
592 conservation plans established under Federal law and submit such revised water management
593 plan to the Contracting Officer for review and evaluation. The Contracting Officer will then
594 determine if the water conservation plan meets Reclamation's then current conservation and
595 efficiency criteria for evaluating water conservation plans established under Federal law.

596 (d) If the Contractor is engaged in direct ground-water recharge, such activity
597 shall be described in the Contractor's water conservation plan.

598

OPINIONS AND DETERMINATIONS

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30. (a) Where the terms of this Settlement Contract provide for actions to be

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based upon the opinion or determination of either party to this Settlement Contract, said terms

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shall not be construed as permitting such action to be predicated upon arbitrary, capricious, or

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unreasonable opinions or determinations. Both parties, notwithstanding any other provisions of

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this Settlement Contract, expressly reserve the right to seek relief from and appropriate

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adjustment for any such arbitrary, capricious, or unreasonable opinion or determination. Each

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opinion or determination by either party shall be provided in a timely manner. Nothing in

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subdivision (a) of Article 30 of this Settlement Contract is intended to or shall affect or alter the

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standard of judicial review applicable under Federal law to any opinion or determination

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implementing a specific provision of Federal law embodied in statute or regulation.

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(b) The Contracting Officer shall have the right to make determinations

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necessary to administer this Settlement Contract that are consistent with the provisions of this

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Settlement Contract, the laws of the United States and of the State of California, and the rules

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and regulations promulgated by the Secretary of the Interior. Such determinations shall be made

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in consultation with the Contractor to the extent reasonably practicable.

614

CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

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31. (a) In addition to all other payments to be made by the Contractor pursuant to

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this Settlement Contract, the Contractor shall pay to the United States, within 60 days after

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receipt of a bill and detailed statement submitted by the Contracting Officer to the Contractor for

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such specific items of direct cost incurred by the United States for work requested by the

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Contractor associated with this Settlement Contract plus indirect costs in accordance with

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applicable Bureau of Reclamation policies and procedures. All such amounts referred to in this

621 Article shall not exceed the amount agreed to in writing in advance by the Contractor. This
622 Article shall not apply to costs for routine contract administration.

623 (b) All advances for miscellaneous costs incurred for work requested by the
624 Contractor pursuant to Article 31 of this Settlement Contract shall be adjusted to reflect the
625 actual costs when the work has been completed. If the advances exceed the actual costs incurred,
626 the difference will be refunded to the Contractor. If the actual costs exceed the Contractor's
627 advances, the Contractor will be billed for the additional costs pursuant to Article 31 of this
628 Settlement Contract.

629 WAIVER OF DEFAULT

630 32. The waiver by either party to this Settlement Contract as to any default shall not
631 be construed as a waiver of any other default or as authority of the other party to continue such
632 default or to make, do, or perform, or not to make, do, or perform, as the case may be, any act or
633 thing which would constitute a default.

634 CONTRACT ASSIGNMENT OR TERMINATION UPON TRANSFER OF LAND

635 33. (a) The rights and obligations of the Contractor may be transferred in
636 connection with the transfer of title to the land or any portion thereof delineated on Exhibit B.

637 (b) The Contractor shall notify the Contracting Officer in writing of any
638 proposed transfer of this Settlement Contract.

639 (c) No transfer of this Settlement Contract shall be effective unless and until
640 approved by the Contracting Officer, and, if approved, shall be effective from the date of such
641 approval.

642 (d) Upon mutual agreement between the United States and the Contractor, this
643 Settlement Contract or a portion thereof may be terminated and the new landowner will have the

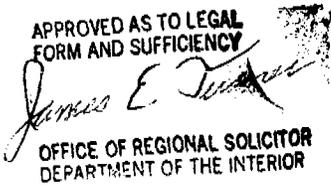
644 privilege of entering into a Settlement Contract for water service for a proportionate share of the
645 Contract Total.

646 TERMINATION

647 34. This Settlement Contract will terminate upon mutual agreement of the parties
648 prior to the end of the term or any renewal thereof.

649 IN WITNESS WHEREOF, the parties hereto have executed this Settlement
650 Contract as of the day and year first hereinabove written.

651 THE UNITED STATES OF AMERICA



652 By: [Signature]
653 Regional Director, Mid-Pacific Region
654 Bureau of Reclamation

655 (SEAL)

656 MEYER CREST, LIMITED

657 By: [Signature]
658 President

659 Attest:

660 By: _____
661 Secretary

ACTION BY UNANIMOUS WRITTEN CONSENT
OF THE BOARD OF DIRECTORS
OF
MEYER CREST, LTD.
a Nevada Corporation

WHEREAS, it is deemed desirable and in the best interests of this corporation that the following actions be taken by the Directors of this corporation pursuant to this Unanimous Written Consent:

NOW, THEREFORE, BE IT RESOLVED that, pursuant to Section 78.315.2 of the Nevada Revised Statutes, the undersigned, being all of the Directors of this corporation, hereby consent to, approve, and adopt the following:

LONG TERM RENEWAL CONTRACT WITH US DEPT. OF INTERIOR.

WHEREAS, the Board of Directors has determined that it is in the best interests of this corporation to enter into a long term renewal contract with the United States Department of the Interior for rights of water diversion from the Sacramento River in Red Bluff, California; and

WHEREAS, it is necessary that the contract documents be executed by the president of this corporation; it is now

RESOLVED, that this corporation is hereby authorized to enter into a Long Term Renewal Contract with United States Department of the Interior to extend water diversion rights from the Sacramento River, as part of the the Central Valley Water Project, on such terms as the president of this corporation shall determine.

RESOLVED FURTHER, that the president of this corporation are hereby instructed to execute the necessary documentation to accomplish this loan.

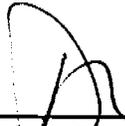
OMNIBUS RESOLUTIONS.

RESOLVED FURTHER, that the officers of this corporation be, and each individually is, hereby authorized to do and perform any and all such acts, including execution of any and all documents and certificates, as said officers shall deem necessary or advisable, to carry out the purposes of the foregoing resolutions.

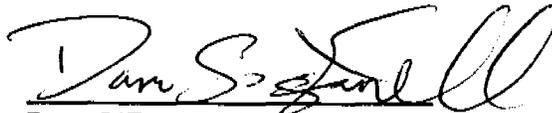
RESOLVED FURTHER, that any actions taken by such officers prior to the date of the foregoing resolutions adopted hereby that are within the authority conferred thereby are hereby ratified, confirmed, and approved as the acts and deeds of this corporation.

This Unanimous Written Consent may be executed in one or more counterparts, each of which shall be an original and all of which together shall be one and the same instrument. This Unanimous Written Consent shall be filed in the Minute Book of this corporation and become a part of the records of this corporation.

Dated: 3/9/2005



Diana Reichert Meyer, Director

Herbert F.R. Meyer, Director

Dara O'Farrell, Director

Exhibit A

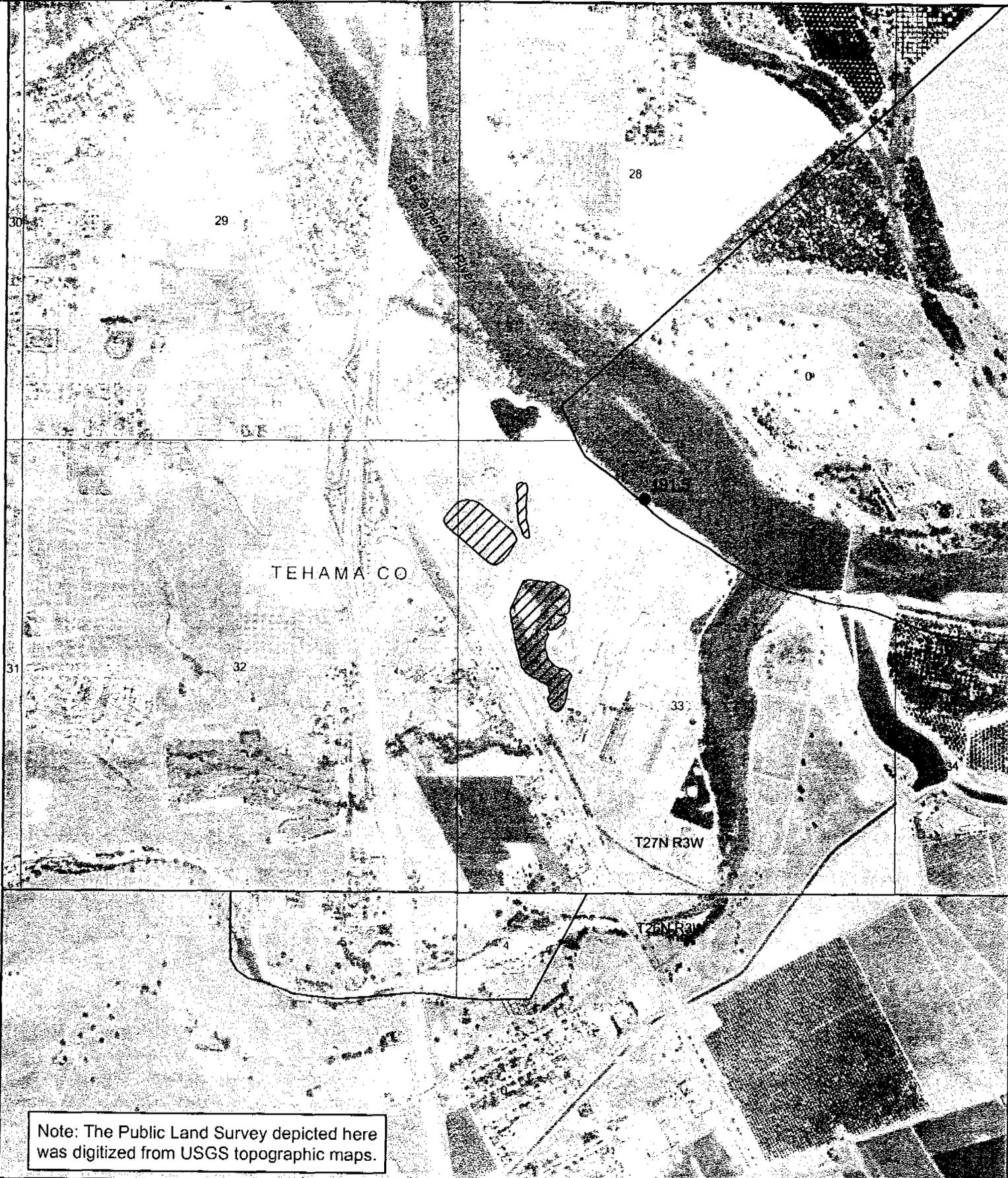
MEYER CREST, LIMITED
Sacramento River

SCHEDULE OF MONTHLY DIVERSIONS OF WATER

| | <u>Base Supply</u> (acre-feet) | <u>Project Water</u> (acre-feet) | <u>Contract Total</u> (acre-feet) |
|-----------|-----------------------------------|-------------------------------------|--------------------------------------|
| April | <u>50</u> | <u>0</u> | <u>50</u> |
| May | <u>50</u> | <u>0</u> | <u>50</u> |
| June | <u>30</u> | <u>20</u> | <u>50</u> |
| July | <u>5</u> | <u>70</u> | <u>75</u> |
| August | <u>5</u> | <u>70</u> | <u>75</u> |
| September | <u>5</u> | <u>70</u> | <u>75</u> |
| October | <u>50</u> | <u>0</u> | <u>50</u> |
| Total | <u>195</u> | <u>230</u> | <u>425</u> |

Points of Diversion: 191.5 R

Dated: 01-31-05



Note: The Public Land Survey depicted here was digitized from USGS topographic maps.

Meyer Crest, LTD

Contract No. 14-06-200-8106A-R-1

Exhibit B

-  Contractor's Service Area
-  Points of Diversion

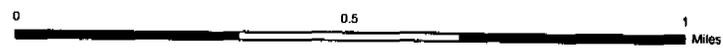


Exhibit C

Omitted

Exhibit D

MEYER CREST, LIMITED
Sacramento River
2005 Water Rates and Charges per Acre-Foot

COST OF SERVICE RATE 1/: \$15.00

CHARGES UNDER P.L. 102-575 TO THE
RESTORATION FUND 2/

Restoration Payments (3407(d)(2)(A)) \$15.87

- 1/ Cost of service rate is the greater of the CVP minimum rate (higher of (1) a rate of \$15.00 per acre-foot, or (2) a rate equal to the O&M costs applicable to delivering project water to the contractor's designated point of delivery), the contract rate and the cost of service rate.
- 2/ Restoration fund charges are payments in addition to the water rates and were determined pursuant to Title XXXIV of Public Law 102-575. Restoration fund charges are on a fiscal year basis (10/1 - 9/30).

Recent Historic Use, as defined in the CVP M&I Shortage Policy, is 0 acre-feet.